

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
WEST WASHINGTON SCHOOL CORPORATION  
WASHINGTON COUNTY, INDIANA  
July 1, 2016 to June 30, 2018



**FILED**  
03/22/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vickie J. Nice	07-01-16 to 06-30-19
Superintendent of Schools	Keith A. Nance	01-01-16 to 06-30-20
President of the School Board	Brian Farmer Forrest Joseph Walker, Jr.	07-01-16 to 12-31-17 01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WEST WASHINGTON SCHOOL  
CORPORATION, WASHINGTON COUNTY, INDIANA

This report is supplemental to our audit report of the West Washington School Corporation (School Corporation), for the period from July 1, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

February 4, 2019

WEST WASHINGTON SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

*Condition*

The School Corporation did not have an effective internal control system in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer prepared and entered the SEFA via the Indiana Gateway for Government Units financial reporting system and the Superintendent of Schools reviewed the information entered to ensure the accuracy of the information prior to submission; however, material misstatements of the SEFA remained undetected.

*Context*

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster was overstated by \$563 for fiscal year 2016-2017 and understated by \$5,837 for fiscal year 2017-2018.
2. The Special Education Cluster (IDEA) was overstated by \$491,629 for fiscal year 2016-2017 and understated by \$157,946 for fiscal year 2017-2018.
3. The Title I Grants to Local Educational Agencies grant was overstated by \$8,922 for fiscal year 2016-2017 and understated by \$201,950 for fiscal year 2017-2018.
4. The Rural Education grant was overstated by \$500 for fiscal year 2016-2017 and \$1,890 for fiscal year 2017-2018.
5. There were several program names, award names, program titles, project titles, and pass-through entity or other identifying numbers that were reported incorrectly.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

WEST WASHINGTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

WEST WASHINGTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2018-002**

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY 16-17, SY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded. A Prepaid Food Account, Fund 8400, was established to account for prepaid food, but the account balance did not agree to the detail of the individual student account balances. An oversight, review, or approval process had not been established.

*Context*

The lack of controls was a systemic problem throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

WEST WASHINGTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls over program income.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Program Income compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Program Income compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2018-003**

Subject: Child Nutrition Cluster - Reporting, Special Tests and Provisions -  
Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY 16-17, SY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Verification  
of Free and Reduced Price Applications (NSLP)

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

WEST WASHINGTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Condition*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Documentation to support the number of applications and students approved for free or reduced meals reported on the School Food Authority (SFA) Verification Collection Reports for fiscal year 2016-2017 and fiscal year 2017-2018 were not presented for audit and could not be readily determined.

The School Food Authority (SFA) Verification Collection Report for Program Year 2016-2017 indicated that the School Corporation was required to verify four of the free and reduced price applications. The School Corporation did not properly determine the income when performing the verification process. The School Corporation did not include all elements of income reported such as overtime, vacation pay, and on-call, but included only regular earnings reported for the period submitted. As a result, the eligibility for two of the applications should have been changed, but was not.

*Context*

The lack of controls and noncompliance were systemic issues that occurred throughout the audit period for the Reporting. The lack of controls over the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) occurred throughout the 2017-2018 school year.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

7 CFR 245.6a(h) states:

"*Verification reporting and recordkeeping requirements.* By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS."

WEST WASHINGTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 245.6a(f)(7) states: "*Eligibility changes*. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

**FINDING 2018-004**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): SY 15-8220, SY 16-8220, SY 17-8220

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did not comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. Written documentation was not obtained for students incarcerated, enrolled in an educational program that culminated in the award of a high school diploma, removal for transfer, or provide proper documentation for the status of student expulsion.

WEST WASHINGTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. The School Corporation did not obtain the proper documentation required for 5 of the 34 students tested.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 200.19(b) states in part:

*"High schools—*

(1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

WEST WASHINGTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .

(2) *Transitional graduation rate.*

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number of years; . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

(C) A dropout may not be counted as a transfer. . . ."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

# *West Washington School Corporation*

8026 W. Batt Rd., Campbellsburg, Indiana 47108

Phone 812-755-4872 Fax 812-755-4843

**Keith A. Nance**  
Superintendent  
nancek@wwcs.k12.in.us

**Carol Hoar**  
Secretary  
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**Vickie Nice**  
Treasurer  
nicev@wwcs.k12.in.us

**Barb Davis**  
Deputy Treasurer  
davisb@wwcs.k12.in.us

## **CORRECTIVE ACTION PLAN**

### ***Finding 2018-001***

Contact Person Responsible for Corrective Action: Vickie Nice

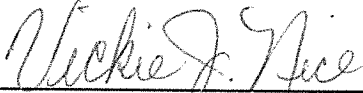
Contact Phone Number: 812-755-4872


Views of Responsible Official: We concur with the finding.


Description of Corrective Action Plan:

The School Corporation has implemented proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. The corporation Treasurer will prepare the schedule of awards and submit to the Superintendent for review. Fiscal year's 2016-2017 and 2017-2018 have been corrected with instructions to accurately complete the 2018-2019 and future SEFA reports.

Anticipated Completion Date: June 30, 2019.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

**FINDING 2018-002**

Contact Person Responsible for Corrective Action: Carol Hoar/Jana Agan

Contact Phone Number: 812-755-4872

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Program Income:



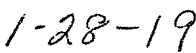
- The elementary lunch bookkeeper has been trained on procedures for proper fund accounting. (Elementary Lunch Bookkeeper)
- Funds are checked by the High School Cashier.
- Report is reviewed and recorded by Central Office Secretary
- Income is receipted by Corporation Treasurer

Reporting:

- Annual Report is reported by Central Office Secretary
- Annual Report is reviewed and signed by Corporation Treasurer
- Annual Report is reviewed and signed by Superintendent

Anticipated Completion Date: June 30, 2019



  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

**FINDING 2018-003**

Contact Person Responsible for Corrective Action: Tom Rosenbaum & Jana Agan

Contact Phone Number: 812-755-4934

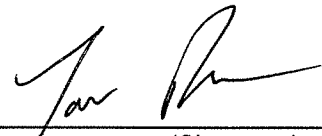
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Segregation of Duties for Verification of Free and Reduced Lunch will include:

- Collection and figuring of Free and Reduced Lunch Forms by Elementary Lunch Bookkeeper.
- Free and Reduced Lunch Forms approved by Building Principal.
- Free and Reduced Lunch Forms recorded by Elementary Lunch Bookkeeper and ECA Treasurer.
- Free and Reduced Lunch Forms verifications completed by Elementary Bookkeeper, eligibility verified by Building Principal, confirmed by Central Office Secretary and then reviewed/signed off by Corporation Treasurer.

Anticipated Completion Date: June 30, 2019



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(Signature) ,

Elem. Principal

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(Title)

1-28-19

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(Date)

**FINDING 2018-004**

Contact Person Responsible for Corrective Action: Mary Anne Knapp

Contact Phone Number: 812-755-4996

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In order to comply with the Special Tests and Provisions – Annual Report Card, High School Graduation Rate requirement, written documentation will be obtained for all students incarcerated, enrolled at another school or removed for transfer and signed by the high school lead administrator before filing. When documentation cannot be collected the student will be reported to the Clearing House of Missing Students, and verification of the report will be signed by the high school lead administrator before filing.

Anticipated Completion Date: June 30, 2019

Mary Anne Knapp  
(Signature)

principal  
(Title)

1/28/19  
(Date)

WEST WASHINGTON SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 4, 2019, with Keith A. Nance, Superintendent of Schools; Vickie J. Nice, Treasurer; Ruth D. Gilbert, Deputy Treasurer; and Salvatore Sama, School Board member.